



STATE OF MARYLAND

DHMMH

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

Developmental Disabilities Administration

Frank W. Kirkland, Executive Director

November 30, 2011

Mr. Thomas Russell
Inspector General
Department of Health and Mental Hygiene
201 W. Preston Street
Baltimore, MD 21201

Dear Mr. Russell:

The Office of the Inspector General (OIG) issued a report in October on the FY 2010 budget reversion that was discovered during the budget closeout for FY 2011. Thank you for your prompt review of this important matter. The Developmental Disabilities Administration (DDA) would like to address the findings in the report and explain the steps that are being taken in response.

Finding 1: The OIG recommends that DDA verify if the money carried forward into FY 2012 is acceptable according to federal regulations and existing state law.

DDA has consulted with counsel in the Office of the Attorney General. Carrying forward into FY 2012 the funds received from the federal government, for the purpose of serving individuals on the waiting list, does not conflict with State law, because of the express authorization contained in Section 29 of HB 70. Nor does there appear to be any conflict with federal law. However, DDA is continuing to review whether carrying forward the funds would comport with federal audit standards.

Finding 2: The OIG recommends the basis and amounts for all fiscal year end FPS expenditure accruals recorded be properly documented. We further recommend written policies and procedures be developed by DDA to provide instruction and guidance in this regard.

In order to address current budget forecasting and documentation issues, immediate steps have been taken to implement a greater degree of oversight for DDA's quarterly expenditure forecasting. DHMMH's central fiscal staff evaluate DDA's quarterly expenditures and require DDA fiscal staff to provide evidence of actual expenditures by individual and service provider. These forecasts will also be shared with the State's Department of Budget and Management.

In addition, documentation for future accruals (i.e. expenditures that take place in a future fiscal year that should be counted against the previous year) will be examined by both DDA and DHMMH fiscal staff for accuracy and validity. The accrual entry applied to Fiscal Year 2011 is currently being examined for accuracy and proper documentation.

Finding 3: The OIG recommends appropriate follow-up take place to resolve outstanding questions related to the FY 2010 budget reversion.

DDA intends to follow this recommendation and hire an external firm to investigate the reversion and provide a report.

Finding 4: The OIG is concerned with a lack of fiscal leadership within DDA and a loss of institutional knowledge due to recent staff departures.

Since the discovery of the FY 2010 budget reversion during the closeout for FY 2011, new senior and fiscal leadership has been installed at DDA including a new Executive Director and acting Chief Financial Officer.

Finding 5: The OIG is concerned with the lack of an integrated or web-based computer system to properly track invoices and provided services.

The DDA intends to hire an external consultant to assess the current IT needs of the administration and provider community and make recommendations to implement a more accountable fiscal operation. The consultant will also study the feasibility and desirability of contracting with an administrative services organization.

Finding 6: The OIG is concerned that there is lack of clear understanding of DDA fiscal operations either within DDA or DHMH. The OIG recommends a thorough review of existing procedures and fiscal operations be conducted.

We will conduct a thorough review of existing procedures. DDA will work to develop new fiscal policies as appropriate that increase accountability in the system.

DDA expects this to increase the level of transparency, reduce the frequency of errors and build redundancy with respect to staff capacity.

I look forward to working with you in the future toward a more accountable financial management system for DDA. If you have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Frank W. Kirkland', with a stylized flourish at the end.

Frank W. Kirkland
Executive Director

cc: Joshua M. Sharfstein, M.D., DHMH
Renata Henry
Josh Auerbach
Patrick Dooley